PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE SAN FRANCISCO, CA 94102-3298



April 25, 2018

Jeffrey T. Linam Vice President of Rates & Regulatory California-American Water Company 4701 Beloit Drive Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California-American Water Company's Advice Letter No. 1191, filed on March 30, 2018, regarding authorization to establish a Cost of Capital Memorandum Account.

Enclosed are copies of the following revised tariff sheets for the utility's files:

P.U.C. Sheet No.	<u>Title of Sheet</u>
8755-W	Preliminary Statement
8756-W	Summary Table Preliminary Statement
8757-W	Table of Contents

Please contact Kevin Truong at 415-703-1353, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant Water & Sewer Advisory Branch Division of Water and Audits

Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please

 \square Compliance

Date Mailed to Service List: March 30, 2018

Protest Deadline (20th Day): April 19, 2018

Review Deadline (30th Day): April 29, 2018

Requested Effective Date: January 1, 2018

Rate Impact: \$See AL

See AL%

Utility Name: California American Water

Tier ⊠1 □2 □3

Memo Account

see the "Response or Protest" section in the advice letter for more information.

Description: 2018 Cost of Capital Interim Rate True-Up

District: All Districts

CPUC Utility #: U210W

Authorization A.17-04-002

Advice Letter #: 1191

Utility Con	ntact:	Lakhjit T	hind			Utility Contact:	Melody Singh
Ph	none:	916-568	-4233			Phone:	916-568-4246
E	mail:	lakhjit.tl	nind@amwater.	com		Email:	melody.singh@amwater.com
DWA Con	tact:	Tariff Un	it				
Ph	one:	(415) 70	3-1133				
Eı	mail:	Water.D	ivision@cpuc.ca	ı.gov			
			[OWA USE OI	NLY		
DATE STAFF			<u>COMMENTS</u>				
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March 30, 2018

ADVICE LETTER NO. 1191

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (California American Water) (U210W) submits this advice letter, including the following tariff sheet applicable to all of its water customers.

C.P.U.C. Sheet No.	Title of Sheet	Canceling Sheet No.
8755-W	PRELIMINARY STATEMENT SUMMARY TABLE (continued)	8718-W
8756-W	PRELIMINARY STATEMENT (continued)	NEW
8757-W	TABLE OF CONTENTS (Page 1)	8754-W

Purpose:

By this advice letter, California American Water ("Cal-Am") requests authorization from the California Public Utilities Commission ("Commission") to establish a Cost of Capital Memorandum Account ("CCMA").

Background:

On December 15, 2017, the Office of Ratepayer Advocates ("ORA") filed a motion requesting that the Commission require Cal-Am, plus the three other Class A water companies whose applications were consolidated in the Cost of Capital proceeding A.17-04-001, to establish memorandum accounts to track the difference between water rates currently in effect and water rates that will go into effect upon resolution of the proceeding. On February 21, 2018, an Administrative Law Judge's Ruling Directing Parties to Establish Memorandum Accounts ("Ruling") issued, granting ORA's motion and ordering the memorandum accounts be effective as of January 1, 2018. On March 22, 2018, the Commission issued Decision 18-03-035, Decision Fixing Cost of Capital for Calendar Years 2018, 2019, and 2010 for California Water Service Company, California-American Water Company, Golden State Water Company and San Jose Water Company (the "Decision"), which adopted "the ratemaking capital structures, costs of equity, costs of debt and overall rates of return for the three-year period commencing January 1, 2018 through December 31, 2020 for all four applicants."

Request:

In compliance with the Ruling, Cal-Am requests, through this advice letter, authorization to establish a CCMA to track the difference between water rates currently in effect and water rates that will go into effect because of the Decision. The CCMA is applicable to all areas served.

Pursuant to Commission Standard Practice U-27-W, an advice letter requesting a new memorandum account must address the following:

- 1. The expense is caused by an event of an exceptional nature that is not under the utility's control.
 - a. Cal-Am does not and did not have authority or control over the timing of the Decision. Therefore, the event is exceptional in nature and not under Cal-Am's control.
- 2. The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case.
 - b. The impact of lower Cost of Capital could not have been reasonably foreseen in Cal-Am's last general rate case. Finally, the changes to Cal-Am's cost of capital ordered in the Decision will be effective January 1, 2018, which occurs before Cal-Am's next general rate case.
- 3. The expense is of a substantial nature as to the amount of money involved when any offsetting cost decreases are taken into account.
 - c. The reduced cost of capital is expected to reduce Cal-Am's revenue.
- 4. The ratepayers will benefit by the memo account treatment.
 - d. As a result of the reduction in Cal-Am's cost of capital, any over collection will likely need to be credited back to the customers. Therefore, customers will benefit from the account.

In Accordance with the Commission Standard Practice U-27-W, Cal-Am requests to establish a memorandum account to track the aforementioned unanticipated costs.

Tier Designation:

This advice letter is submitted pursuant to General Order No. 96-B and is designated as a Tier 1 filing.

Effective Date:

California American requests an effective date of January 1, 2018.

RESPONSE OR PROTEST¹

Anyone may submit a response or protest for this AL. When submitting a response or protest, please include the utility name and advice letter number in the subject line.

¹ G.O. 96-B, General Rule 7.4.1

A **response** supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds² are:

- (1) The utility did not properly serve or give notice of the AL;
- (2) The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the AL contain material error or omissions;
- (4) The relief requested in the AL is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
- (6) The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility. A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

DWA must receive a response or protest via email (<u>or</u> postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, <u>please include the utility name and advice</u> <u>letter number in the subject line.</u>

The addresses for submitting a response or protest are:

Email Address: Mailing Address:

Water.Division@cpuc.ca.gov CA Public Utilities Commission

Division of Water and Audits 505 Van Ness Avenue San Francisco, CA 94102

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to Cal-Am at:

Email Address: Mailing Address:

melody.singh@amwater.com 4701 Beloit Drive

Sacramento, CA 95838

sarah.leeper@amwater.com 555 Montgomery Street, Suite 816

San Francisco, CA 94111

lakhjit.thind@amwater.com 4701 Beloit Drive

Sacramento, CA 95838

² G.O. 96-B, General Rule 7.4.2

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES³

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

If you have not received a reply to your protest within 10 business days, please contact me at (916) 568-4255.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Jeffrey T. Linam

Jeffrey T. Linam Vice President of Rates & Regulatory

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³ G.O. 96-B, General Rule 7.4.3

CALIFORNIA-AMERICAN WATER COMPANY

655 W. Broadway, Suite 1410

San Diego, CA 92101

Cancelling

Revised Original Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

8755-W 8718-W

(N)

PRELIMINARY STATEMENT SUMMARY TABLE (Continued)

Account

Sheet 3

Reference

		Tariff
BJ	Tax Cuts and Jobs Act Memorandum Account	8717-W
BK	General Rate Case Interim Rate True-up Memorandum Accounts	8751-W
BL	Cost of Capital Memorandum Account	8756-W

(Continued)

(TO BE INSERTED BY UTILITY)
Advice 1191
Decision

ISSUED BY
J. T. LINAM
DIRECTOR - Rates & Regulatory

(TO BE INSERTED BY C.P.U.C.)
Date Filed 03/30/2018

Effective 01/01/2018
Resolution

Original

655 W. Broadway, Suite 1410 San Diego, CA 92101

PRELIMINARY STATEMENT (Continued)

Sheet 71

BL. Cost of Capital Memorandum Account

(N)

- PURPOSE: The purpose of the Cost of Capital Memorandum Account is to track the
 difference between current rates based on California American Water's most recently
 authorized cost of capital, and rates based on the new cost of capital to be adopted in a
 final decision D.18-03-005. This Memorandum Account is established in accordance
 with the ALJ ruling in A.17-04-001, dated February 21, 2018, and effective tracking
 January 1, 2018.
- 2. APPLICABILITY: Applicable to all service areas served by California American Water.
- 3. ACCOUNTING PROCEDURE:
- a. The following entries will be recorded monthly in the Cost of Capital Memorandum Account:
 - 1. Actual revenue based on rates based on currently authorized cost of capital.
 - 2. Actual revenue based on proposed cost of capital.
 - 3. Total net Cost of Capital Memorandum Account balance = (1) minus (2)
 - 4. A positive (+) balance in the memorandum account reflects a utility over collection to be refunded, while a negative balance reflects a utility under collection to be recovered in rates.
- b. The Company will record the accumulated Cost of Capital balance monthly, by adding its entry in Section a3 above to the prior accumulated monthly balance.
- c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.
- 4. RATEMAKING PROCEDURE: There is currently no ratemaking component to the memorandum accounts. Requests for recovery of any balance are to be proceeded according to General Order 96-B and Standard Practices or otherwise determined in a Commission decision. Upon Commission review and approval, balances shall be transferred to the appropriate account for applicable district.

(N)

(Continued)

(TO BE INSERTED BY UTILITY)

Advice 1191

Decision

ISSUED BY

J. T. LINAM

Date Filed

03/30/2018

DIRECTOR - Rates & Regulatory

Resolution

Revised Revised

Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

8757-W 8754-W

655 W. Broadway, Suite 1410 San Diego, CA 92101

Decision

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Cancelling

Sheet 1

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	(Continued)	
(TO BE INSERTED BY UTILITY) Advice 1191	ISSUED BY J. T. LINAM	(TO BE INSERTED BY C.P.U.C.) Date Filed 03/30/2018

DIRECTOR - Rates & Regulatory

Effective

Resolution

01/01/2018